**STATE AND FEDERAL ENERGY AIR POLICY AND OIL AND GAS DEVELOPMENT**

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**RECENT FEDERAL POLICIES IMPACTING OIL AND GAS DEVELOPMENT**

- Ozone NAAQS 2008 Limit: 75 ppb 8-hour average (VOCs and NOx releases)
  - New EPA ozone standard required by Fall 2014 (expected to be 60-70 ppb)
- Climate policy and methane
- BLM NEPA requirements to consider climate change and air impacts
- Regulation of GHGs
  - Power plant ESPS and enhanced oil recovery
- Oil and gas NSPS
- Indian minor source rule
- Startup, shutdown, malfunction
Common industry complaints about federal regulations

- Often based on poor understanding of technical issues
- Unrealistic or even impossible requirements
- High time and personnel requirements with low environmental benefits
- High time and personnel requirements disproportionately impact smaller companies
- Complex regulatory environment means high penalties can result from misunderstanding or misapplying rules

Methods of impacting federal regulation

- Stay up to date on issues of interest
- Comment on proposed rules!
- Engage agencies before taking action
  - But this can backfire
- Political processes
- Legal action
  - Administrative
  - Federal Court
Example of federal regulation impacting oil and gas development: NSPS for oil and gas sector

- Wellsite: • Completions • Storage Vessels • Pneumatics
- Gathering Booster Facilities: • Storage Vessels • Pneumatics • Compressors
- Natural Gas Plants: • Storage Vessels • Pneumatics • Compressors • LDAR • SO2
- Natural Gas Transmission Compression: • Storage Vessels
- Underground Natural Gas Storage: • Storage Vessels

Reaction to NSPS

- Broad participation in comments
  - Impacted some inaccuracies (# of tanks affected)
- Administrative and federal court challenges
- EPA requested the D.C. Circuit Court to hold the case in abeyance and just issued revisions to the rule
Examples of recent and proposed state regulations

Utah: new requirements for existing oil and gas equipment
Colorado: regulating methane emissions; city and county fracking bans
North Dakota: new flaring requirements (reduce 5% by 2020)
Wyoming: first to institute “green completions”; stringent air quality requirements for nonattainment area

Uinta Basin Winter Ozone

• Monitoring in the Basin since 2009
• High ozone during winter – unique
• Episodic – with specific weather conditions
• High year-to-year variability
• Currently designated “unclassifiable”
• Special winter ozone studies – past 3 winters
• High readings in 2012-2013
• EPA’s next 5-year review of ozone scheduled for 2013
Utah Division of Air Quality Proposed Action

- Requiring offsets for minor sources (since Feb. 2013)
- Oil and gas general requirements – minimize VOCs as reasonably practicable
  - Pneumatic control devices – new and existing devices must be low bleed – Jan. 1, 2015 (Uinta Basin) / 2017 (statewide)
  - Auto igniters required for all control equipment – Jan. 1, 2015 (Uinta Basin) / 2017 (statewide)
  - Tank truck bottom loading – Jan. 1, 2015
  - BMPs
  - Episodic Controls

Uinta Basin Winter Ozone: A Complex Regulatory Environment

- Over-lapping Jurisdictions
  - Federal
    - BLM
    - NEPA Requirements
    - Conformity
  - State
    - Regulatory Agency for State Airshed, including federal lands
    - Subject to federal oversight for CAA regulations
  - Tribal
    - Tribes
    - Sovereignty – Tribal Lands are not the same as Public Lands
    - Trust relationship with federal government
    - Possibility and high hurdles for tribal primacy over air issues
  - EPA
    - Regulatory agency for Indian Country, including state and federal lands
    - Must consult with Tribes and cooperate with State

- Highly Episodic
  - Potential for nonattainment designation and increased regulation of all sources in the Basin
  - Climatic conditions drive certain episodic events
  - Causes and solutions still not well understood
Concerns for Regulating Ozone in the Basin

- Tribal involvement – great possibilities; challenging political, legal and process issues; tribal values
- High impact from oil and gas operations production
- Proactive regulation can result in ineffective, duplicative, conflicting, or unequal requirements
- Different requirements from different agencies can result in fractured regulation within the Basin
- Accuracy of data supporting decisions and driving technology choices
- Can Uinta Basin ozone problem realistically be addressed through even the strictest regulation given its meteorological nature?

Hurdles that May Require More than Partnership

- Incongruities of CAA
  - Rural location of many sources
  - Number and remoteness of sources
  - Declining emission levels that can be predicted and planned for
  - Emission differences between sources depending upon geographic location of field and chemical makeup of hydrocarbons
  - Complexity of regulations overburden small operators

- Data Quality
  - Actions often taken based on incomplete “best available data”
  - Inaccurate or incomplete data can cause unnecessary hardship for industry
  - Bad data create mistrust of regulators and ineffective solutions
  - Federal focus on methane and recent changes to GHG calculations